

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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| -----X | |
| KING COUNTY, WASHINGTON, | : |
| IOWA STUDENT LOAN LIQUIDITY | : |
| CORPORATION, Together and on | : |
| Behalf of All Others Similarly Situated, | : |
| | : |
| Plaintiffs, | : |
| | : |
| - against - | : |
| | : |
| IKB DEUTSCHE INDUSTRIEBANK | : |
| AG, et al. | : |
| | : |
| Defendants. | : |
| | : |
| -----X | |

09 Civ. No 8387 (SAS)

ECF Case

**ANSWER OF DEFENDANTS MORGAN STANLEY & CO.
INCORPORATED AND MORGAN STANLEY & CO. INTERNATIONAL
LIMITED TO PLAINTIFFS' FIRST AMENDED COMPLAINT**

Defendants Morgan Stanley & Co. Incorporated ("MS&Co") and Morgan Stanley & Co. International Limited (n/k/a Morgan Stanley & Co. International Limited plc) ("MSIL" and, together with MS&Co, "Morgan Stanley") by their attorneys, Davis Polk & Wardwell LLP, for their Answer to the First Amended Complaint for Violations of New York State Law (the "First Amended Complaint") of plaintiffs King County, Washington, Iowa Student Loan Liquidity Corporation, and the class they purport to represent ("Plaintiffs"), state as follows:

1. Morgan Stanley denies the allegations in paragraph 1 of the First Amended Complaint.
2. Morgan Stanley denies the allegations in paragraph 2 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 2.

3. Morgan Stanley denies the allegations in paragraph 3 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 3.

4. Morgan Stanley denies the allegations in paragraph 4 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 4.

5. Morgan Stanley denies the allegations in paragraph 5 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 5.

6. Morgan Stanley denies the allegations in paragraph 6 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 6.

7. Morgan Stanley denies the allegations in paragraph 7 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 7.

8. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 8 of the First Amended Complaint.

9. Morgan Stanley denies the allegations in paragraph 9 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 9.

10. Morgan Stanley denies the allegations in paragraph 10 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 10.

11. Morgan Stanley denies the allegations in paragraph 11 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 11.

12. Morgan Stanley denies the allegations in paragraph 12 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 12.

13. Morgan Stanley denies the allegations in paragraph 13 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 13.

14. Morgan Stanley denies the allegations in paragraph 14 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or

information sufficient to form a belief as to the truth of the remaining allegations in paragraph 14.

15. Morgan Stanley denies the allegations in paragraph 15 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 15.

“PARTIES”

16. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 16 of the First Amended Complaint.

17. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 17 of the First Amended Complaint.

18. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 18 of the First Amended Complaint.

19. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 19 of the First Amended Complaint.

20. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 20 of the First Amended Complaint.

21. No response is required to paragraph 21 of the First Amended Complaint, which states only that the defendants named in paragraphs 18 through 20 are referred to collectively as “IKB” in the First Amended Complaint.

22. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 22 of the First Amended Complaint.

23. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 23 of the First Amended Complaint.

24. Morgan Stanley denies the allegations in paragraph 24 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 24.

25. Morgan Stanley denies the allegations in paragraph 25 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 25.

26. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 26 of the First Amended Complaint.

27. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 27 of the First Amended Complaint.

28. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 28 of the First Amended Complaint.

29. No response is required to paragraph 29 of the First Amended Complaint, which states only that defendants named in paragraphs 26 through 28 are referred to collectively as the “Rating Agencies” in the First Amended Complaint.

30. Morgan Stanley denies the allegations in paragraph 30 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 30.

31. Morgan Stanley denies the allegations in paragraph 31 of the First Amended Complaint, except admits that Morgan Stanley conducts investment banking and financial services and is headquartered in New York City; that Morgan Stanley served as a co-arranger and a placement agent for the Rhinebridge Senior Notes; and that the First Amended Complaint purports to charge Morgan Stanley with violations of New York law, but denies that there exists any basis in fact or law for the institution or maintenance of this action against Morgan Stanley. Morgan Stanley further states that this Answer is made on behalf of MS&Co and MSIL, and denies that any affiliates of MS&Co and MSIL are defendants in this action.

32. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 32 of the First Amended Complaint.

33. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 33 of the First Amended Complaint.

34. The allegations of paragraph 34 of the First Amended Complaint purport to state a conclusion of law to which no response is required.

35. Morgan Stanley denies the allegations in paragraph 35 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 35, except that Morgan Stanley admits that MS&Co is headquartered in New York. Morgan Stanley further states that, to the extent paragraph 35 of the First Amended Complaint consists of conclusions of law, no response is required.

36. Morgan Stanley states that to the extent paragraph 36 of the First Amended Complaint consists of conclusions of law, no response is required. Morgan Stanley denies the allegations in paragraph 36 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 36.

37. Morgan Stanley denies the allegations contained in paragraph 37 of the First Amended Complaint, and refers to the private placement memoranda for a description of the structured investment vehicle issued by Rhinebridge (the “Rhinebridge SIV”).

38. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 38 of the First Amended

Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

39. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 39 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

40. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 40 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

41. Morgan Stanley denies the allegations in paragraph 41 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 41. Morgan Stanley refers to the private placement memoranda for a description of the Rhinebridge SIV.

42. Morgan Stanley admits that Rhinebridge's securities were not offered or sold to the public, but rather were sold in individually negotiated transactions solely to sophisticated investors, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 42 of the First Amended Complaint.

43. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 43 of the First Amended Complaint.

44. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 44 of the First Amended Complaint.

45. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 45 of the First Amended Complaint.

46. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 46 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

47. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 47 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

48. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 48 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

49. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 49.

50. Morgan Stanley denies the allegations in paragraph 50 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or

information sufficient to form a belief as to the truth of the remaining allegations in paragraph 50.

51. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 51 of the First Amended Complaint.

52. Morgan Stanley denies the allegations in paragraph 52 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 52.

53. Morgan Stanley denies the allegations in paragraph 53 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 53. Morgan Stanley refers to the private placement memoranda for a description of the Rhinebridge SIV.

54. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 54 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

55. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 55 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

56. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 56 of the First Amended Complaint, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

57. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 57 of the First Amended Complaint.

58. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 58 of the First Amended Complaint.

59. Morgan Stanley denies the allegations contained in paragraph 59 of the First Amended Complaint.

60. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 60 of the First Amended Complaint, and refers to the relevant private placement memorandum for a description of the fees associated with the Rhinebridge SIV.

61. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 61 of the First Amended Complaint, and refers to the private placement memoranda for a description of the fees associated with the Rhinebridge SIV.

62. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 62 of the First Amended Complaint.

63. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 63 of the First Amended Complaint.

64. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 64 of the First Amended Complaint.

65. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 65 of the First Amended Complaint.

66. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 66 of the First Amended Complaint.

67. Morgan Stanley denies the allegations in paragraph 67 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 67.

68. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 68 of the First Amended Complaint.

69. Morgan Stanley denies the allegations of paragraph 69 insofar as they are directed to it or insofar as they attribute any statements to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 69.

70. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 70 of the First Amended Complaint.

71. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 71 of the First Amended Complaint.

72. Morgan Stanley denies the allegations of paragraph 72 of the First Amended Complaint insofar as they are directed to it or insofar as they attribute any statements to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 72.

73. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 73 of the First Amended Complaint. Morgan Stanley refers to the private placement memoranda for a description of the Rhinebridge SIV.

74. Morgan Stanley denies the allegations in paragraph 74 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 74.

75. Morgan Stanley denies the allegations in paragraph 75 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 75.

76. Morgan Stanley denies the allegations of paragraph 76 of the First Amended Complaint insofar as they are directed to it or insofar as they attribute any statements to it, and denies that “Rhinebridge would not have existed” without the ratings assigned to the notes issued by Rhinebridge. Morgan Stanley otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 76, and refers to the relevant private placement memorandum for a description its contents.

77. Morgan Stanley denies the allegations in paragraph 77 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 77.

78. Morgan Stanley denies the allegations in paragraph 78 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 78.

79. Morgan Stanley denies the allegations of paragraph 79 of the First Amended Complaint insofar as they are directed to it or insofar as they attribute any statements to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 79. Morgan Stanley further refers to the relevant private placement memorandum for a statement of its contents.

80. Morgan Stanley denies the allegations in paragraph 80 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or

information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 80.

81. Morgan Stanley denies the allegations in paragraph 81 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 81.

82. Morgan Stanley denies the allegations in paragraph 82 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 82.

83. Morgan Stanley denies the allegations in paragraph 83 of the First Amended Complaint.

84. Morgan Stanley denies the allegations in paragraph 84 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 84.

85. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 85 of the First Amended Complaint.

86. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 86 of the First Amended Complaint.

87. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 87 of the First Amended Complaint, except denies such allegations to the extent that they pertain to Morgan Stanley or purport to state a basis for relief against Morgan Stanley.

88. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 88 of the First Amended Complaint.

89. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 89 of the First Amended Complaint.

90. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 90 of the First Amended Complaint.

91. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 91 of the First Amended Complaint.

92. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 92 of the First Amended Complaint.

93. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 93 of the First Amended Complaint. Morgan Stanley refers to the July 8, 2008 SEC Report for a description of its contents.

94. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 94 of the First Amended Complaint. Morgan Stanley further states that paragraph 94 purports to state conclusions of law to which no response is required.

95. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 95 of the First Amended Complaint. Morgan Stanley refers to the July 8, 2008 SEC Report for a description of its contents.

96. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 96 of the First Amended Complaint. Morgan Stanley refers to the September 25, 2008 *Bloomberg* article for a description of its contents.

97. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 97 of the First Amended Complaint. Morgan Stanley refers to the September 25, 2008 *Bloomberg* article for a description of its contents.

98. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 98 of the First Amended Complaint. Morgan Stanley refers to the July 8, 2008 SEC Report for a description of its contents.

99. Morgan Stanley denies the allegations in paragraph 99 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or

information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 99.

100. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 100 of the First Amended Complaint.

101. Morgan Stanley denies the allegations in paragraph 101 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 101.

102. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 102 of the First Amended Complaint.

103. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 103 of the First Amended Complaint.

104. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 104 of the First Amended Complaint.

105. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 105 of the First Amended Complaint.

106. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 106 of the First Amended Complaint.

107. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 107 of the First Amended Complaint.

108. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 108 of the First Amended Complaint.

109. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 109.

110. Morgan Stanley denies the allegations in paragraph 110 insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 110.

111. Morgan Stanley denies the allegations in paragraph 111 insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 111.

112. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 112, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

113. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 113, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

114. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 114, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

115. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 115, and refers to the private placement memoranda for a description of the Rhinebridge SIV.

116. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 116.

117. Morgan Stanley denies the allegations in paragraph 117 insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 117. Morgan Stanley further states that paragraph 117 purports to state conclusions of law to which no response is required.

118. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 118.

119. Morgan Stanley denies the allegations in paragraph 119 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 119.

120. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 120.

121. Morgan Stanley denies the allegations in paragraph 121 insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief

as to the truth of the remaining allegations in paragraph 121. Morgan Stanley refers to the private placement memoranda for a description of the Rhinebridge SIV. Morgan Stanley further states that paragraph 121 purports to state conclusions of law to which no response is required.

122. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 122.

123. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 123.

124. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 124.

125. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 125.

126. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 126.

127. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 127, and refers to the private placement memoranda for a description of the fees associated with the Rhinebridge SIV.

128. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 128.

129. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 129.

130. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 130.

131. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 131.

132. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 132.

133. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 133.

134. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 134.

135. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 135.

136. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 136.

137. Morgan Stanley denies the allegations contained in paragraph 137 of the First Amended Complaint.

138. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 138.

139. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 139.

140. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 140 of the First Amended

Complaint, except that Morgan Stanley denies that “Rhinebridge could not have existed” without a “relaxation of ratings standards.”

141. Morgan Stanley denies the allegations in paragraph 141 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 141. Morgan Stanley further states that, to the extent paragraph 141 of the First Amended Complaint consists of conclusions of law, no response is required.

142. Morgan Stanley denies the allegations in paragraph 142 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 142.

143. Morgan Stanley denies the allegations in paragraph 143 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 143.

144. Morgan Stanley denies the allegations in paragraph 144 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 144.

145. Morgan Stanley denies the allegations in paragraph 145 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or

information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 145.

146. Morgan Stanley denies the allegations in paragraph 146 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 146.

147. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 147.

148. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 148.

149. Morgan Stanley denies the allegations in paragraph 149 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 149. Morgan Stanley further states that, to the extent paragraph 149 of the First Amended Complaint consists of conclusions of law, no response is required.

150. Morgan Stanley denies the allegations in paragraph 150 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 150.

151. Morgan Stanley denies the allegations in paragraph 151 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or

information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 151.

152. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 152.

153. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 153.

154. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 154.

155. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 155.

156. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 156.

157. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 157.

158. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 158.

159. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 159.

160. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 160.

161. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 161.

162. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 162.

163. Morgan Stanley denies the allegations in paragraph 163 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 163.

164. Morgan Stanley denies the allegations in paragraph 164 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 164.

165. Morgan Stanley denies the allegations in paragraph 165 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 165.

166. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 166.

167. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 167.

168. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 168.

169. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 169 of the First Amended

Complaint, except that Morgan Stanley denies that “Rhinebridge could not have issued any Senior Notes” without the ratings assigned to the notes issued by Rhinebridge.

170. Morgan Stanley denies the allegations in paragraph 170 of the First Amended Complaint, except admits that Morgan Stanley served as a co-arranger and a placement agent for the Rhinebridge Senior Notes. Morgan Stanley further states that, to the extent paragraph 170 of the First Amended Complaint consists of conclusions of law, no response is required.

171. Morgan Stanley denies the allegations in paragraph 171 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 171. Morgan Stanley further states that, to the extent paragraph 171 of the First Amended Complaint consists of conclusions of law, no response is required.

172. Morgan Stanley denies the allegations in paragraph 172 of the First Amended Complaint, except admits that in connection with the Cheyne SIV, MSIL served as an arranger and placement agent for Cheyne Finance PLC, and that MS&Co served as an arranger and placement agent for Cheyne Finance LLC and Cheyne Finance Capital Notes LLC.

173. Morgan Stanley denies the allegations in paragraph 173 of the First Amended Complaint, except admits that Morgan Stanley served as a co-arranger and placement agent for the Rhinebridge Senior Notes.

174. Morgan Stanley denies the allegations in paragraph 174 of the First Amended Complaint.

175. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 175.

176. Morgan Stanley denies the allegations in paragraph 176 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 176.

177. Morgan Stanley denies the allegations in paragraph 177 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 177.

178. Morgan Stanley denies the allegations in paragraph 178 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 178.

179. Morgan Stanley denies the allegations in paragraph 179 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 179.

180. Morgan Stanley denies the allegations in paragraph 180 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 180.

181. Morgan Stanley denies the allegations in paragraph 181 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 181.

182. Morgan Stanley denies the allegations in paragraph 182 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 182.

183. Morgan Stanley denies the allegations in paragraph 183 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 183.

184. Morgan Stanley denies the allegations in paragraph 184 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 184. Morgan Stanley refers to the private placement memoranda for a description of the Rhinebridge SIV.

185. Morgan Stanley denies the allegations in paragraph 185 of the First Amended Complaint insofar as they are directed to it, except admits that in March 2007 an e-mail was sent between a Morgan Stanley employee and an S&P employee containing the language quoted in paragraph 185, and that the paragraph selectively refers to and quotes from that e-mail. Morgan Stanley otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations

contained in paragraph 185. Morgan Stanley further states that, to the extent paragraph 185 of the First Amended Complaint consists of conclusions of law, no response is required.

186. Morgan Stanley denies the allegations in paragraph 186 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 186.

187. Morgan Stanley denies the allegations in paragraph 187 of the First Amended Complaint, and further states that, to the extent paragraph 187 consists of conclusions of law, no response is required.

188. Morgan Stanley denies the allegations in paragraph 188 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 188.

189. Morgan Stanley denies the allegations in paragraph 189 of the First Amended Complaint insofar as they are directed to it, except admits that in September 2006, an e-mail was sent between a Morgan Stanley employee and an employees of IKB and S&P attaching a draft term sheet. Morgan Stanley otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 189.

190. Morgan Stanley denies the allegations in paragraph 190 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations

contained in paragraph 190. Morgan Stanley further states that, to the extent paragraph 190 of the First Amended Complaint consists of conclusions of law, no response is required.

191. Morgan Stanley denies the allegations in paragraph 191 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 191.

192. Morgan Stanley denies the allegations in paragraph 192 of the First Amended Complaint insofar as they are directed to it, except admits that on May 2, 2007, an e-mail was sent between a Morgan Stanley employee and a Moody's employee containing the language quoted in paragraph 192 without emphasis, and that the paragraph selectively refers to and quotes from that e-mail. Morgan Stanley otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 192.

193. Morgan Stanley denies the allegations in paragraph 193 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 193.

194. Morgan Stanley denies the allegations in paragraph 194 of the First Amended Complaint.

195. Morgan Stanley denies the allegations in paragraph 195 of the First Amended Complaint, and refers to the private placement memoranda for a description of the fees associated with the Rhinebridge SIV.

196. Morgan Stanley denies the allegations in paragraph 196 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 196.

197. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 197.

198. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 198, except admits that Rhinebridge was launched on June 27, 2007.

199 – 204. Morgan Stanley denies the allegations in paragraphs 199 through 204 of the First Amended Complaint, on the grounds that the Court by Order dated May 18, 2010 dismissed all claims except those based on purchases of U.S. commercial paper and in that Plaintiffs have elected not to pursue this case as a Class Action. Further, Morgan Stanley states that the allegations in paragraphs 199 through 204 of the First Amended Complaint purport to state a conclusion of law to which no response is required.

RESPONSE TO COUNT I

205. Morgan Stanley repeats and incorporates every response to the allegations in paragraphs 1 through 204 of the First Amended Complaint, as if fully set forth herein.

206. Morgan Stanley denies the allegations in paragraph 206 of the First Amended Complaint insofar as they are directed to it, except that Morgan Stanley admits that Plaintiffs purport to bring Count I as a claim for common law fraud. Morgan Stanley further states that the First Amended Complaint fails to state a claim for relief against

Morgan Stanley and fails to set forth a cognizable claim that Morgan Stanley committed common law fraud.

207. Morgan Stanley denies the allegations in paragraph 207 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 207.

208. Morgan Stanley denies the allegations in paragraph 208 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 208.

209. Morgan Stanley denies the allegations in paragraph 209 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 209.

210. The allegations in paragraph 210 of the First Amended Complaint purport to state a conclusion of law to which no response is required. To the extent a response is required, Morgan Stanley denies the allegations in paragraph 210.

211. The allegations in paragraph 211 of the First Amended Complaint purport to state a conclusion of law to which no response is required. To the extent a response is required, Morgan Stanley denies the allegations in paragraph 211.

212. Morgan Stanley denies the allegations in paragraph 212 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations

contained in paragraph 212. Morgan Stanley further states that paragraph 212 contains conclusions of law to which no response is required.

213. Morgan Stanley denies the allegations in paragraph 213 of the First Amended Complaint, and further denies that this case is or can be brought as a Class Action.

214. Morgan Stanley denies the allegations in paragraph 214 of the First Amended Complaint insofar as they are directed to it, and otherwise denies knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 214.

215. Morgan Stanley denies the allegations in paragraph 215 of the First Amended Complaint, and further states that paragraph 215 contains conclusions of law to which no response is required.

216. Morgan Stanley denies the allegations in paragraph 216 of the First Amended Complaint, and further states that paragraph 216 contains conclusions of law to which no response is required.

217. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 217.

218. Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 218.

219. Morgan Stanley denies the allegations in paragraph 219 of the First Amended Complaint, and further states that paragraph 219 contains conclusions of law to which no response is required.

220. Morgan Stanley denies the allegations in paragraph 220 of the First Amended Complaint.

RESPONSE TO COUNT II

221. Morgan Stanley repeats and incorporates every response to the allegations in paragraphs 1 through 220 of the First Amended Complaint, as if fully set forth herein.

222 – 224. No response is required to paragraphs 222 through 224 of the First Amended Complaint as the allegations contained therein are not asserted against and do not relate to Morgan Stanley. To the extent a response is required, Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraphs 222 through 224.

RESPONSE TO COUNT III

225. Morgan Stanley repeats and incorporates every response to the allegations in paragraphs 1 through 224 of the First Amended Complaint, as if fully set forth herein.

226. Morgan Stanley denies the allegations in paragraph 226 of the First Amended Complaint, except that Morgan Stanley admits that Plaintiffs purport to bring Count III as a claim for aiding and abetting.

227. Morgan Stanley denies the allegations in paragraph 227 of the First Amended Complaint.

228. Morgan Stanley denies the allegations in paragraph 228 of the First Amended Complaint.

RESPONSE TO COUNT IV

229. Morgan Stanley repeats and incorporates every response to the allegations in paragraphs 1 through 228 of the First Amended Complaint, as if fully set forth herein.

230 – 232. No response is required to paragraphs 230 through 232 of the First Amended Complaint as the allegations contained therein are not asserted against and do not relate to Morgan Stanley. To the extent a response is required, Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraphs 230 through 232.

RESPONSE TO COUNT V

233. Morgan Stanley repeats and incorporates every response to the allegations in paragraphs 1 through 232 of the First Amended Complaint, as if fully set forth herein.

234 – 236. No response is required to paragraphs 234 through 236 of the First Amended Complaint as the allegations contained therein are not asserted against and do not relate to Morgan Stanley. To the extent a response is required, Morgan Stanley denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraphs 234 through 235.

GENERAL DENIAL

Except as to those allegations that Morgan Stanley expressly admitted above or those as to which Morgan Stanley denied knowledge or information sufficient to form a belief as to the truth of the allegations, Morgan Stanley denies each and every allegation contained in paragraphs 1 through 236, including, without limitation, the footnotes, headings, and subheadings contained in the First Amended Complaint. Morgan Stanley expressly reserves the right to amend and/or supplement this Answer.

ADDITIONAL AND AFFIRMATIVE DEFENSES

Morgan Stanley asserts the following affirmative defenses and reserves the right to amend this answer to assert other and further defenses when and if, in the course of its

investigation, discovery, or preparation for trial it becomes appropriate. By designating these affirmative defenses, Morgan Stanley does not intend to suggest either that Plaintiffs do not bear the burden of proof as to such matters or that such matters are not elements of Plaintiffs' prima facie case against Morgan Stanley.

FIRST AFFIRMATIVE DEFENSE

The First Amended Complaint fails to state a claim upon which relief may be granted.

SECOND AFFIRMATIVE DEFENSE

The First Amended Complaint fails to plead fraud with particularity as required by Rule 9(b) of the Federal Rules of Civil Procedure and fails to set forth acts that plausibly suggest that Morgan Stanley violated the law as required by Rule 8(a) of the Federal Rules of Civil Procedure.

THIRD AFFIRMATIVE DEFENSE

None of the other defendants in this action, nor any of the officers, directors, or employees of any such entities, acted as an agent of Morgan Stanley during the course of the putative class period.

FOURTH AFFIRMATIVE DEFENSE

The alleged scienter or conduct of any other defendant or its officers, directors, or employees cannot be imputed to Morgan Stanley.

FIFTH AFFIRMATIVE DEFENSE

Morgan Stanley did not make a misstatement or omission of material fact concerning the notes issued by Rhinebridge.

SIXTH AFFIRMATIVE DEFENSE

Morgan Stanley did not make a misstatement or omission of material fact concerning the defendant Ratings Agencies or their methodologies or ratings.

SEVENTH AFFIRMATIVE DEFENSE

Morgan Stanley is not liable for any misstatement or omission of material fact made by any of its co-defendants.

EIGHTH AFFIRMATIVE DEFENSE

If any alleged representation of Morgan Stanley contained any untrue statement of material fact, or omitted to state a material fact, which Morgan Stanley denies, Morgan Stanley did not know, and in exercise of reasonable care could not have known, of such untruth or omission, and did not act with intent to defraud Plaintiffs, or anyone, with respect thereto.

NINTH AFFIRMATIVE DEFENSE

Morgan Stanley is not liable because it did not know, and in the exercise of reasonable care could not have known, of any of the alleged misrepresentations, omissions, or fraud alleged in the First Amended Complaint. Morgan Stanley thus lacked scienter and was not a culpable participant in the wrongful acts alleged in the First Amended Complaint.

TENTH AFFIRMATIVE DEFENSE

Any conduct of Morgan Stanley was non-negligent, non-reckless, and taken in good faith and without knowledge or intent to commit fraud, and did not directly or indirectly constitute unlawful acts.

ELEVENTH AFFIRMATIVE DEFENSE

Morgan Stanley was entitled to and did reasonably rely on the work, conclusions and advice provided by IKB Deutsche Industriebank AG, IKB Credit Asset Management, GmbH, the defendant Ratings Agencies, their agents, affiliates, employees, subsidiaries and other professionals.

TWELFTH AFFIRMATIVE DEFENSE

Morgan Stanley had no reason to believe, and did not believe, that the reports of any other defendant, or their affiliates and subsidiaries, were false or materially misleading.

THIRTEENTH AFFIRMATIVE DEFENSE

Morgan Stanley had no duty to disclose to Plaintiffs any information that it did not disclose, including, but not limited to, any information allegedly omitted from any statements made by or on behalf of or otherwise attributable to Morgan Stanley.

FOURTEENTH AFFIRMATIVE DEFENSE

Plaintiffs did not rely on any misstatement by Morgan Stanley.

FIFTEENTH AFFIRMATIVE DEFENSE

Plaintiffs did not reasonably rely on any misstatement by Morgan Stanley.

SIXTEENTH AFFIRMATIVE DEFENSE

Morgan Stanley is not liable because Plaintiffs and/or their subsidiaries knew of the alleged misrepresentations or omissions upon which their claims against Morgan Stanley are based.

SEVENTEENTH AFFIRMATIVE DEFENSE

Morgan Stanley is not liable because, prior to making their purchases of notes issued by Rhinebridge, Plaintiffs and/or their subsidiaries knew or should have known the

facts underlying the alleged misrepresentations or omissions upon which their claims against Morgan Stanley are based.

EIGHTEENTH AFFIRMATIVE DEFENSE

Morgan Stanley is not liable to Plaintiffs because any alleged misrepresentations or omissions for which Morgan Stanley is allegedly responsible were not material.

NINETEENTH AFFIRMATIVE DEFENSE

The alleged fraud was not a foreseeable consequence of any conduct or inaction by Morgan Stanley.

TWENTIETH AFFIRMATIVE DEFENSE

Any damage, loss or liability sustained by Plaintiffs must be reduced, diminished, and/or eliminated in proportion to the wrongful or negligent conduct of entities or individuals other than Morgan Stanley under the principles of equitable allocation, recoupment, set-off, proportionate responsibility, comparative fault and contributory negligence, other Federal law and/or any other applicable law or rules.

TWENTY-FIRST AFFIRMATIVE DEFENSE

Plaintiff claim against Morgan Stanley is barred because the damages sustained by the Plaintiffs, if any, were not caused by Morgan Stanley, but instead the damages, if any, were caused by the actions or omissions of other persons or entities over which Morgan Stanley had no control. These actions or omissions were intervening or superseding causes of the damages allegedly sustained by Plaintiffs.

TWENTY- SECOND AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, by lack of standing.

TWENTY-THIRD AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, by the applicable statutes of limitations.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, by the doctrine of laches.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, by the doctrine of estoppel.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, by the doctrine of unclean hands.

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, by the doctrine of waiver.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred in whole or in part, because their conduct did not meet the required standard of diligence or due care and/or Plaintiffs' own negligence contributed to the loss they claim to have incurred. Without limiting the generality of the foregoing, Plaintiffs failed to use due care in determining whether to purchase notes issued by Rhinebridge.

TWENTY-NINTH AFFIRMATIVE DEFENSE

Plaintiffs knew that investing in notes issued by Rhinebridge involved risk and voluntarily assumed such risk.

THIRTIETH AFFIRMATIVE DEFENSE

Although Morgan Stanley denies that the Plaintiffs suffered any damages as alleged in the First Amended Complaint, any damages that may have been sustained were not caused by any actions or omissions by Morgan Stanley.

THIRTY-FIRST AFFIRMATIVE DEFENSE

Morgan Stanley is not liable for any of the alleged misrepresentations, omissions, or fraud in the First Amended Complaint because the Plaintiffs failed to mitigate their damages in accordance with applicable law.

THIRTY-SECOND AFFIRMATIVE DEFENSE

Plaintiffs' claims for damages against Morgan Stanley are speculative, remote, conjectural and without basis in law or fact.

THIRTY-THIRD AFFIRMATIVE DEFENSE

Plaintiffs are not entitled to punitive damages from Morgan Stanley.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

Plaintiffs lack standing to sue under the doctrine of *in pari delicto*.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

Morgan Stanley is entitled to be indemnified or held harmless to the full extent of any losses, expenses, claims or proceedings related to or arising out of certain transactions, including those at issue in the First Amended Complaint. Morgan Stanley hereby invokes all of its contractual and common law indemnity rights, and hereby provides notice to Plaintiffs thereof.

THIRTY-SIXTH AFFIRMATIVE DEFENSE

This action may not properly be maintained as class action pursuant to Rule 23 of the Federal Rules of Civil Procedure.

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

Plaintiffs have forfeited and/or waived their right to pursue this matter as a Class Action.

THIRTY- EIGHTH AFFIRMATIVE DEFENSE

Plaintiffs are not entitled to a presumption of reliance under any theory.

THIRTY- NINTH AFFIRMATIVE DEFENSE

Plaintiffs have failed to join necessary and indispensable parties.

FORTIETH AFFIRMATIVE DEFENSE

Plaintiffs' claim is barred, in whole or in part, to the extent of any accord and satisfaction, arbitration and award, release or any other matter constituting an avoidance or affirmative defense set forth in Rule 8(c) of the Federal Rules of Civil Procedure, or otherwise, all of which to the extent applicable are incorporated herein.

FORTY-FIRST AFFIRMATIVE DEFENSE

The claims of Plaintiffs and the members of the purported class are barred to the extent New York common law does not apply extraterritorially to any foreign conduct alleged in the First Amended Complaint.

FORTY-SECOND AFFIRMATIVE DEFENSE

Morgan Stanley hereby adopts and incorporates by reference any and all other defenses asserted or to be asserted by any other defendant to the extent such defenses are affirmative defenses and are applicable to the claim against Morgan Stanley.

WHEREFORE, Morgan Stanley demands judgment in its favor:

- (1) dismissing with prejudice the remaining claim asserted against Morgan Stanley;
- (2) awarding the costs of defending this action, including reasonable attorney's fees, costs and disbursements; and
- (3) granting such other and further relief as the Court may deem just and proper.

Dated: November 19, 2010
New York, New York

DAVIS POLK & WARDWELL LLP

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